HMRC - IPT05820 - Arriving At ‘The Chargeable Amount’

The Finance Act 1994, Section 69(1) states:

This section applies for the purpose of determining the chargeable amount in a case where a contract provides cover falling within any one of the following paragraphs, that is to say-

(a) cover for one or more exempt matters,

(b) cover for one or more standard rate matters, or

(c) cover for one or more higher rate matters.

Section 69 (2) goes on to say:

In the following provisions of this section ‘the non-exempt premium’ means the difference between-

(a) the amount of the premium; and

(b) such part of the premium as is attributable to any exempt matter or matters or, if no part is so attributable, nil.

The chargeable amount is therefore the total premium less that part of the premium that relates to the risk which is exempt from IPT less tax chargeable. You will need to determine the exact figure which represents the chargeable amount. There is nothing in the law to prescribe this amount, but section 69(11) of the Finance Act 1994 does state that apportionments shall be made:

…on such basis as is just and reasonable.

You are empowered to decide, with the insurer, any equitable basis for apportionment which gives a just and reasonable result.

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